

2008

**Capital
Pension Plan
Annual Report**



MISSION

We are a professionally managed, service oriented defined contribution pension plan committed to helping our members build and manage their retirement savings.

VISION

To be the preferred pension plan for members and employers.

VALUES

The Capital Pension Plan is committed to integrity and professionalism in dealing with all stakeholders through prudent leadership, innovation and open, effective communication.

Participation and Membership

The Capital Pension Plan was established in 1976 as a defined contribution (money purchase) pension plan. The Capital Pension Plan can consider any employer interested in participating in the Plan. Participating employers can determine the eligibility criteria for their employees to become contributing members of the Plan, pursuant to relevant legislative and regulatory requirements.

Both participating employers and contributing members make required contributions, based on a percentage of earnings, subject to an annual maximum contribution limit set in the *Income Tax Act* (Canada).

All member and employer contributions made on behalf of a member are directed to an individual account in the member's name. Contributions are invested and accrue investment earnings over time.

Retirement

At retirement, members use the cumulative value in their Capital Pension Plan account to provide pension income through various pension income options as permitted in each jurisdiction (provincial or Federal).

The Capital Pension Plan operates two pension income options.

A Retirement Annuity Fund is available to all Plan members that choose to receive guaranteed lifetime retirement income through the purchase of a life annuity.

A Variable Benefit option is available to Plan members within the Saskatchewan jurisdiction that desire the flexibility to change the amount of retirement income received.

Message from the Chair	2
Financial Overview	3
2008 Achievements	7
Governance	8
Administration	10

2008 Performance

2008 Performance Goals and Objectives	12
Goal 1: Strong Financial Performance	13
Goal 2: Effective Communication	20
Goal 3: Accountability and Plan Governance	22
Goal 4: Quality Service to Members and Employers	23
2008 Risk Assessment Performance Results	24
2008 Strategic Business Plan Performance Results	25
2008 Value Added Services Plan Performance Results	26

2009 and Beyond

Balanced Scorecard	27
Strategic Initiatives Timetable	27
2009 Value Added Services Plan	29

Appendices

Service Providers	30
Description of Comparative Measures	31

Management's Responsibility for Financial Reporting	32
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Financial Statements

Message from the Chair



Micheal McPherson
Chair, Capital Pension Plan Board

As Chair of the Pension Board, I am pleased to present the Annual Report and audited Financial Statements for the year ending December 31, 2008.

2008 was an unprecedented year for financial markets worldwide. Issues began with the U.S. sub-prime mortgage crisis and escalated throughout global investment markets. October and November saw near record declines in the Canadian, U.S. and EAFE equity markets as fears of a global recession mounted.

The Capital Pension Plan was not immune from the impacts of these events. The Diversified Fund ended the year with a return of -16.10%. Capital's Pre-Retirement Fund provided a return of 3.17%.

Although the declines experienced in 2008 were widespread, it is important to remember that market downturns have happened in the past and have been followed by periods of recovery.

The *Statement of Investment Policies and Goals* (SIP&G) for Capital's investment funds is reviewed annually. The SIP&G provides guidance for disciplined long-term investing, regardless of market conditions. The investment strategies balance risk and return during periods of market growth as well as market downturns. Even though negative returns can occur from time to time, over the long-term members are able to reap the benefits of overall investment growth.

The Capital Pension Plan Board and Plan administration staff remain committed to working in the best interests of our members and participating employers.

A handwritten signature in dark ink, appearing to read "Micheal McPherson". The signature is fluid and cursive, with a long, sweeping underline.

Chair, Capital Pension Plan Board

Defined Contribution Fund

Contributions from participating employers and contributing members are deposited to the Plan's Defined Contribution Fund. Within this Fund, the plan operates two investment funds - the Diversified Fund and the Pre-Retirement Fund.

As the default investment fund, all Plan members are eligible to participate in the Diversified Fund. The investment objective of the Diversified Fund is to provide long-term investment growth within acceptable levels of investment risk.

Members within five (5) years of their earliest retirement date can choose to participate in the Pre-Retirement Fund. The investment objective of the Pre-Retirement Fund is to preserve capital in the short-term.

2008 Performance Summary

2008 was a historic year for financial markets. The U.S. sub-prime mortgage crisis paralyzed credit access, making it difficult for many companies to function financially. Collateral impacts reverberated throughout investment markets worldwide. Global market indices plummeted in October as fears of a global recession grew.

The S&P/TSX Index (Canadian equities) ended 2008 posting a return of -33.0%, mainly due to weaker worldwide demand for Canadian commodities. Both the S&P 500 Index (U.S. equities) and the MSCI EAFE Index (non-North American equities) ended the year in negative territory with returns of -21.2% and -29.2% respectively (SC). Fixed income markets ended

the year with positive returns. The DEX Universe Bond Index achieved an annual return of 6.4% for the year. The IPD Index (Canadian institutional real estate) recorded a return of 8.3% for 2008.

Capital Pension Plan's Diversified Fund could not escape the impact of widespread negative market performance. The Diversified Fund recorded an annual return of -16.10% after expenses for 2008. The rolling 4-year return for the Diversified Fund was 2.56% after expenses.

The objective of the Pre-Retirement Fund is to preserve capital in the short-term. The fund is invested solely in money market investments and provided an annual return of 3.17% after expenses for 2008. The rolling 4-year return for the Pre-Retirement Fund was 3.30% after expenses.

2008 Expenses

The Capital Pension Plan operates on a cost-recovery basis. Actual expenses are deducted from the Plan's earnings prior to the calculation of each weekly unit value. For comparison and communication purposes, a management expense ratio (MER) is calculated annually by dividing the total cost of administration by the year end market value.

Actual operating expenses declined for 2008. However, the MER for the entire Defined Contribution Fund increased to 50 basis points or 0.50% as at December 31, 2008 (0.43% in 2007) due to the decreased value of the overall Fund.

Defined Contribution Fund Current and Historic Performance (December 31)

	2008		2007		2006		2005		2004	
	Fund	Benchmark	Fund	Benchmark	Fund	Benchmark	Fund	Benchmark	Fund	Benchmark
Diversified Fund	-16.10%*	-16.0%	3.09%*	2.2%	13.64%*	12.8%	9.62%*	10.3%	10.85%*	9.7%
Pre-Retirement Fund	3.17%*	3.3%	4.12%*	4.4%	3.53%*	4.0%	2.39%*	2.6%	2.12%*	2.3%

*Diversified Fund and Pre-Retirement Fund returns are net of all expenses.

Defined Contribution Fund Expenses
(December 31)

(\$C thousands)	2008	2007	2006	2005	2004
Investment Management Fees	2,361	2,556	2,135	1,779	1,364
Custodial Service Fees	126	126	105	102	98
Investment Performance & Consultant Fees	89	83	82	80	71
Auditor's Fees	21	34	19	18	16
General Administration	1,230	1,172	970	869	713
Total	3,827	3,971	3,311	2,848	2,262
Management Expense Ratio (MER)	0.50%	0.43%	0.37%	0.35%	0.30%

Defined Contribution Fund Compound Returns
(December 31)

	1 year	2 years	3 years	5 years	10 years
Diversified Fund	-16.10%	-7.00%	-0.58%	3.61%	5.19%
Pre-Retirement Fund	3.17%	3.64%	3.60%	3.06%	3.93%

Defined Contribution Fund Net Assets Available for Benefits
(December 31)

(\$C thousands)	2008	2007	2006	2005	2004
Increase in Assets					
Employer Required Contributions	15,002	14,134	12,906	12,025	11,116
Member Required Contributions	12,712	12,011	10,790	10,065	9,262
Member Voluntary Contributions	1,798	1,645	1,062	962	877
Transfers into the Fund	5,707	5,571	3,075	7,164	3,396
Investment Gain (Loss)	(14,472)	95,619	67,405	54,460	64,001
Net unrealized Gain (Loss) in Market Value	(123,517)	(64,064)	40,150	23,248	10,857
	(102,770)	64,916	135,388	107,924	99,509
Decrease in Assets					
Investment Management/Custodian Fees	2,487	2,682	2,240	1,881	1,462
Salaries & Benefits	664	634	492	454	426
Other	676	655	579	513	374
Withdrawals/Transfers Out	41,452	37,939	50,449	36,669	32,806
	45,279	41,910	53,760	39,517	35,068
Change in Net Assets	(148,049)	23,006	81,628	68,407	64,441
Net Assets Available (beginning of year)	919,576	896,570	814,942	746,535	682,094
Net Assets Available for Benefits	771,527	919,576	896,570	814,942	746,535

Retirement Annuity Fund

The Retirement Annuity Fund (RAF) provides lifetime retirement annuities to Plan members that choose to receive retirement income through the purchase of a life annuity.

When a member purchases a life annuity from the Plan, the member's equity is transferred from the Defined Contribution Fund to the Retirement Annuity Fund, and an annuity contract is established based on the current interest rate and group annuity mortality tables. The contract provides for guaranteed lifetime income.

The Retirement Annuity Fund is fully funded as each new annuity is added. No additional contributions are required to fund future benefit accruals. As well, no additional contributions are required to support the Fund's current accrued liabilities.

2008 Expenses

A management expense ratio (MER) is not calculated for the Retirement Annuity Fund. Expenses allocated to the Fund are accounted for in the annual actuarial valuation.

2008 Performance Summary

A rate of return is not calculated for the Retirement Annuity Fund. The Retirement Annuity Fund is managed to ensure the annuity promise (guaranteed lifetime income) is fulfilled, as determined through the completion of an annual actuarial valuation.

Retirement Annuity Fund Expenses (December 31)

(\$C thousands)	2008	2007	2006	2005	2004
Investment Management Fees	35	36	38	35	32
Custodial Service Fees	4	4	4	4	5
Investment Performance & Consultant Fees	3	3	3	3	3
Actuarial Services	14	17	16	11	11
Auditor's Fees	8	7	6	6	6
General Administration	60	60	80	82	0*
Total	124	127	147	141	57

* For 2004, actual expenses for General Administration were \$74,000 (rounded to the nearest thousand). These expenses were offset by a \$74,000 reimbursement of legal fees received that year.

Retirement Annuity Fund Net Assets Available for Benefits
(December 31)

(\$C thousands)	2008	2007	2006*	2005*	2004*
Increase in Assets					
Transfers from Contributory Fund upon members' retirement	2,078	316	1,521	2,003	1,596
Investment income	1,893	2,087	2,438	1,848	1,515
Gain (Loss) on sale of investments	215	3,677	58	37	1,152
Net Unrealized Gains (Losses)	(660)	(3,578)	415	2,796	783
	3,526	2,502	4,432	6,684	5,046
Decrease in Assets					
Annuity payments	2,278	2,265	2,160	2,050	2,005
Operating expenses	124	127	147	141	57
Increase (Decrease) in provision for annuity benefits	(2,464)	(2,649)	462	3,094	609
Settlement of claim	-	-	-	-	8
Provision for payment to members of the Fund	242	283	480	6,135	-
	180	26	3,249	11,420	2,679
Change in Net Assets	3,346	2,476	1,183	(4,736)	2,367
Net Assets Available (beginning of year)	11,288	8,812	7,629	12,365	9,998
Net Assets Available for Benefits	14,634	11,288	8,812	7,629	12,365

*restated at market value

Capital Pension Plan Member Survey

A comprehensive member survey was distributed to all Plan members as part of the October issue of the Plan's newsletter.

In total, 7,389 surveys were distributed, with 415 completed surveys returned (5.6% response rate). Key findings from the member survey include:

- members generally rank the Capital Pension Plan as their #1 source of retirement income;
- members become more interested and knowledgeable about retirement as retirement age approaches;
- readership of the Plan's newsletter remains high, with members generally finding the newsletter easy to understand and informative;
- website usage has increased, but many members remain unaware of the site. Those that have visited the site generally find it easy to use and informative;
- members have diverse priorities when it comes to investing.

Development of Balanced Scorecard

A Balanced Scorecard performance measurement tool was developed during 2008. The Balanced Scorecard will be implemented and used to evaluate Plan performance beginning in 2009.

Retirement Primer Information Sessions and Guide

In May and June, Retirement Primer information sessions were conducted throughout the province, providing information to Plan members about preparing for retirement.

A Retirement Primer Guide was distributed at the sessions, providing members with step by step guidance and worksheets to assess their own preparedness for retirement.

Retirement Annuity Fund Court Application

In 2007, the Capital Pension Plan made application to the Court for direction in the distribution of approximately \$6.6 million in reserve funds accumulated in the Retirement Annuity Fund.

In January 2008, information packages were sent to the last known address of all current and former Plan members that could potentially be eligible to participate in a distribution of the reserve funds.

The initial court hearing was held on February 15, 2008. The Judge heard the background information regarding the application and asked the parties to return on April 11, 2008 with a prepared list of various groups of members and former members and employers and former employers that may be affected by the application.

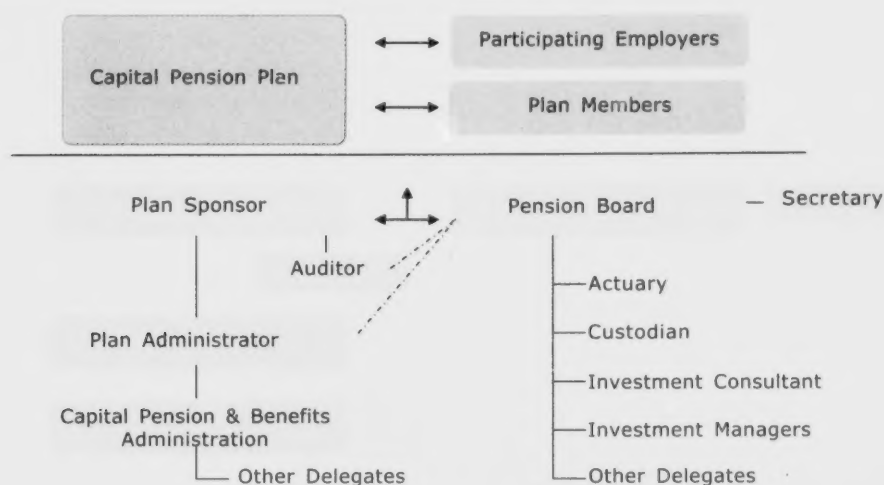
The second court hearing was held on April 11, 2008. At that time, the Judge heard from legal counsel on behalf of the Plan sponsor and on behalf of certain employers and former employers. The Judge asked legal counsel to come to some agreement regarding the process for the court to follow for scheduling hearings and to return to court.

The third court hearing was held on June 12, 2008. At that time, legal counsel for the Plan Sponsor requested of the Court that a final hearing date be set so that all issues in the application as to how to distribute the surplus could be argued and all interested parties could be heard.

The final hearing date for the application was held on November 13, 2008. The Judge reserved her decision to take time to consider all written and verbal arguments made. All written submissions made by members and former members were placed before the Judge for her review.

A written decision will be provided by the Judge at a future date. There is no set time limit for the court decision to be provided. Given the complexity of the case and numerous issues, it is anticipated that the decision will be handed down sometime in 2009. When the decision occurs, the decision will be public, and placed on the website for individuals to review.

Governance Structure



The Plan Sponsor

Crown Investments Corporation of Saskatchewan (CIC) is the Plan Sponsor. CIC is responsible for the overall management of the Plan in accordance with applicable laws, the terms and conditions of the Plan and its governance structure and processes. CIC is responsible to hold the Plan's funds in trust for the benefit of its members and any person entitled to benefits pursuant to the Plan. CIC appoints the Pension Board to act on its behalf to facilitate the operation of the Plan.

The Pension Board

The Capital Pension Plan Board composition is between five (5) and ten (10) persons, nominated by the twelve (12) largest participating employers of the Plan, as determined by active Plan membership. All Board members must be active members of the Plan. Board members must possess characteristics and traits of integrity, accountability, informed judgement, financial literacy, mature confidence and commitment.

Board meetings are held at least once per fiscal quarter, with an additional meeting for approval of financial statements and the annual report and a planning retreat for the upcoming year held each fall. In camera sessions are conducted at each meeting. Compensation for service on the Capital Pension Plan Board is restricted to reimbursement of actual costs and reasonable expenses for attending to Board business.

Pension Board Committees

The Pension Board establishes committees to assist in carrying out its roles and responsibilities. Each committee is comprised of three (3) current pension board members. The Chair of the Pension Board serves as an ex-officio member of each Committee.

Pension committees have no authority to make binding decisions, or incur expenses, unless the Board provides prior approval. Committee members facilitate informed discussion and makes recommendations regarding a course of action to the Pension Board.

Pension Committee	Reviews:
Audit	-- annual report -- financial statements -- internal controls
Investment	-- investment policies -- investment managers -- investment performance
Governance	-- Board structure -- governance policies and procedures -- terms of reference

Actuary, Custodian, Investment Consultant, Investment Managers and Other Delegates

The Capital Pension Plan Board acquires expertise by hiring industry professionals such as a custodian, asset consultant, investment managers and actuary. Investment of the Plan's assets is delegated to professional investment managers under the supervision of the Pension Board.

Capital Pension Plan Board



back row (left to right) **Ken Dishaw, Tim MacLeod, Edward Helm, David Olsen, Micheal McPherson**

front row (left to right) **Carla Brown, Cindy Ogilvie, Twyla Meredith**

Pension Board Members

Micheal McPherson, Chair
Saskatchewan Housing Authorities

David Olsen
ISM Canada

Edward Helm
Saskatchewan Government Insurance

Ken Dishaw
Yara Belle Plaine Inc.

Tim MacLeod
Saskatchewan Government Insurance

Cindy Ogilvie
Crown Investments Corporation

Twyla Meredith
Saskatchewan Gaming Corporation

Carla Brown
Crown Investments Corporation

Pension Committees

Audit
Cindy Ogilvie, (Committee Chair)
Edward Helm
Twyla Meredith

Investment
David Olsen, (Committee Chair)
Ken Dishaw
Carla Brown

Governance
Tim MacLeod, (Committee Chair)
vacant
vacant

Capital Pension & Benefits Administration



back row (left to right) **Laura Thompson** -- Staff Accountant, **Brad Hunt** -- Manager, Accounting and Administration, **Stan Jones** -- Director, Pensions, **Ken Klein** -- Executive Director, **Sharon Strueby** -- Staff Accountant

front row (left to right) **Arlene Stinson** -- Executive Secretary, **Tracy Mack** -- Pension and Benefits Assistant, **Cheryl Viala** -- Manager, Communication, Research and Development
Missing: **Christine Taylor** -- Manager, Group Benefits

The Plan Administrator

The Plan Sponsor (CIC) has appointed the Executive Director of its Capital Pension & Benefits Administration (CPBA) division to act as Plan Administrator.

The Plan Administrator handles the overall management, administration and day to day operation of the Plan in accordance with applicable laws and the terms and conditions of the Plan. The Plan Administrator makes application for the registration of the Plan and any amendments thereto.

The Plan Administrator has the responsibility to carry out its duties with honesty and in good faith in the best interest of Plan members and any other person(s) to whom a fiduciary duty is owed. The Plan Administrator ensures administrative procedures and regulations are in compliance with applicable laws and the terms and conditions of the Plan.

The Plan Administrator also provides assistance to the Pension Board and makes recommendations concerning the Plan's annual budget.

Plan Membership

The Capital Pension Plan had a total of 8,436 members as at December 31, 2008 (8,252 in 2007). The Plan's membership can be categorized into four groups:

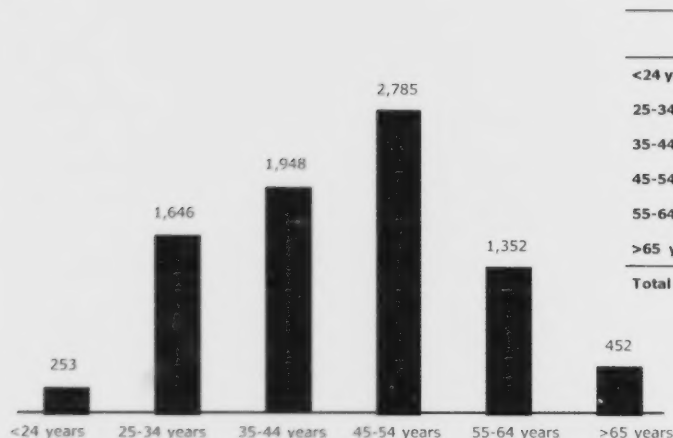
Active Members are those members that are currently employed with a participating employer and on whose behalf regular contributions to the Plan are made. The Plan ended 2008 with 4,817 active members (4,714 in 2007).

Inactive Members are those vested members that are no longer employed with a participating employer, but choose to leave all or part of their equity with the Plan. At the end of 2008, there were 3,126 inactive members (3,102 in 2007).

Variable Benefit Members are those members within the Saskatchewan jurisdiction that are eligible for retirement and have chosen to receive pension income directly from the Plan through the Variable Benefit option. The Plan ended 2008 with 113 Variable Benefit members (52 in 2007).

Annuitants are those members that chose to receive lifetime pension income from the Retirement Annuity Fund. At the end of 2008, there were 380 annuitants (384 in 2007).

Plan Membership

Membership Demographics
December 31

	Active	Inactive	Variable Benefit	Annuitants
<24 years	204	49	0	0
25-34 years	1,100	546	0	0
35-44 years	1,259	689	0	0
45-54 years	1,641	1,112	26	6
55-64 years	588	644	70	50
>65 years	25	86	17	324
Total	4,817	3,126	113	380

Demographics

Membership demographics are reviewed annually and are taken into account during the determination of the Plan's *Statement of Investment Policies and Goals* (SIP&G). Capital's membership remains relatively young and, as a result, the asset mix of the Plan's default investment fund (the Diversified Fund) contains a bias towards equity holdings, with moderate investment risk.

Members' tolerance towards investment risk may decrease as they get older. For these members, the Plan offers the Pre-Retirement Fund, which is designed to preserve capital in the short-term. Participation in the Pre-Retirement Fund is voluntary and restricted to those members who are within five (5) years of their earliest possible retirement date or later.

Capacity

The Plan continues to experience membership growth as participating employers acquire new employees and many departing employees that are vested choose to remain with the Plan as inactive members. Many Plan members also choose to participate in the Variable Benefit and Retirement Annuity Fund retirement options.

The Plan remains in a position to expand membership and continues to enact policies to meet the needs of Plan members and participating employers.

2008 Performance Goals and Objectives

The Capital Pension Plan's purpose is to provide eligible employees of participating employers with a tax-effective means to accrue savings and to assist Plan members with making financial provision for their retirement with cost effective administration and timely, clear communications. To fulfill this purpose, the Pension Board sets performance goals and objectives and establishes benchmark performance expectations to measure progress towards the attainment of such goals.

Amendments to Goals

There were no amendments to the Plan's performance goals and objectives for 2008.

2008 Performance Goals and Objectives

Performance Goal	Objectives	Performance Measures
Strong Financial Performance	Diversified Fund	
	Earn a rate of return that exceeds the return earned by the benchmark portfolio.	1-year and rolling 4-year return of benchmark portfolio.
	Each investment manager to exceed the benchmark index return for their respective asset class.	1-year and rolling 4-year returns of each comparative index.
	Achieve a minimum annualized return that is 3% in excess of the Consumer Price Index (CPI) over the long-term.	10-year CPI + 3%.
	Pre-Retirement Fund	
	Preserve capital in the short-term.	Positive rate of return on a 1-year and rolling 4-year basis.
	Earn a rate of return competitive with money-market investments (after expenses have been deducted).	1-year and rolling 4-year return on T-Bills.
	Retirement Annuity Fund	
	Immune from changes in the level of interest rates.	Matching between the duration of the portfolio and all liabilities are to fall between -.5 and +.5 years of the duration target, as per actuarial valuation report.
Effective Communication	Provide sufficient liquidity to ensure payments to annuitants are made when due.	Short-term investment income exceeds payments to annuitants as per actuarial valuation report.
	Ensure long-term solvency.	Solvency assessed as per actuarial valuation report.
	Plan member	
Effective Communication	Provide ongoing information about investment performance, legislative updates and provision changes at regular intervals.	Provided within established service parameters.
	Participating Employer	
Accountability and Plan Governance	Provide ongoing information regarding legislative updates, changes to Plan provisions, operational and administrative practices prior to providing similar information to Plan members.	Provided within established service parameters.
	Ongoing compliance with Code of Conduct, Conflict of Interest and Protection of Confidential Information and Privacy policies by Board members, Plan administration staff and service providers (where applicable).	Compliance.
	Monitor ongoing compliance with established investment policies by investment managers.	Compliance.
Quality Service to Members and Employers	Review and update Governance Manual.	Current.
	Distribute annual statement.	
	Post weekly unit values to website.	
	Process termination benefits.	
	Provide statement on retirement.	
	Process pension estimates.	
	Process marriage breakdown calculations.	
	Respond to written correspondence.	
	Respond to telephone and email inquiries.	

Goal 1: Strong Financial Performance

Defined Contribution Fund

Financial performance of the Plan directly impacts members' ability to build their retirement savings, pursuant to the Plan's mission and vision. The performance objectives are documented in the *Statement of Investment Policies and Goals* (SIP&G) for the Defined Contribution Fund.

Diversified Fund

The Diversified Fund is the Plan's default investment fund. The investment managers are directed to achieve a satisfactory long-term real rate of return within their mandate, consistent with acceptable risks and prudent management. To achieve this long-term goal, the Fund's asset mix has a bias towards equity investments. Investment risk is controlled by investing in a well diversified portfolio of asset classes and investment managers.

Comparative Measures

Comparative performance measures for the Diversified Fund are the respective benchmark indicator of the comparative market indices (see page 31). Where applicable, performance is further assessed compared to similar investment managers and funds through the Hewitt Manager Universe Quartile, that assesses which 25% of a list or universe of funds the actual performance falls. Due to the long-term nature of the Fund, performance goals are evaluated based on rolling 4-year returns, where applicable.

Performance Results

The downturn in investment markets worldwide continued through to the end of 2008 and the Diversified Fund was not immune to these widespread declines. The Fund recorded an annual return of -16.10% (net of all expenses) at December 31, 2008.

Defined Contribution Fund

	Asset Class & % of Fund @ December 31, 2008	Investment Manager(s)	Comparative Benchmark Indicator(s)
Diversified Fund	Canadian Equities 18.4%	Greystone Capital Management Inc. Lincluden Management Limited* Connor, Clark & Lunn*	S&P/TSX Index
		*Connor, Clark & Lunn replaced Lincluden Management Limited in November 2008.	
	U.S. Equities 17.7%	Greystone Capital Management Inc. State Street Global Advisors	S&P 500 Index (\$C) S&P 500 Index (hedged to \$C) S&P 400 Index (hedged to \$C)
	Non-North American Equities 16.1%	Greystone Capital Management Inc. Tweedy Browne LLC	MSCI EAFE Index
	Bonds 38.3%	Greystone Capital Management Inc. State Street Global Advisors	DEX Universe Bond Index
	Real Estate 7.5%	Greystone Capital Management Inc.	IPD Index
Pre-Retirement Fund	Short-term Investments/ Cash 2.0%	Greystone Capital Management Inc.	91-day T-Bills
	Asset Class & % of Fund @ December 31, 2008 Short-term Investments 100%	Greystone Capital Management Inc.	91-day T-bills

Goal 1: Strong Financial Performance

This return all but matched the benchmark return for the period. On a 4-year basis, the Diversified Fund provided a net return of 2.56%, which exceeded the benchmark indicator of 1.9% for the period.

In November, the Capital Pension Plan Board replaced investment manager Lincluden Management Limited (Lincluden). Lincluden had lost some key employees and it was determined that they were underperforming within their investment mandate compared to their peers. Lincluden was replaced by Connor, Clark & Lunn (CC&L).

Overall, performance by the Fund's investment managers was mixed. The Diversified Fund's combined Canadian equity performance lagged the benchmark indicator return on a rolling 4-year basis. Greystone Capital Management (Greystone) outperformed the benchmark indicator on a 4-year basis.

The Fund's combined U.S. equity performance fell short of its benchmark indicator. Greystone, as well as SSgA's large cap holdings outperformed the benchmark indicator, while SSgA's mid-cap holdings underperformed the rolling 4-year benchmark indicator.

The Diversified Fund's combined Non-North American equity return outperformed the benchmark indicator over the period. Greystone underperformed the benchmark indicator for the period, while Tweedy Browne LLC (Tweedy) outperformed the benchmark indicator.

The Diversified Fund's fixed income holdings provided positive returns for 2008. Combined performance for bond holdings outperformed the

benchmark indicator on a rolling 4-year basis. Greystone underperformed the benchmark indicator while SSgA outperformed the benchmark indicator. Greystone's real estate holdings outperformed the benchmark indicator as well.

The Diversified Fund's 10-year annualized return outperformed the benchmark indicator for the period.

The Pre-Retirement Fund

The Pension Board recognizes that members' investment risk tolerance may diminish as retirement approaches. The Pre-Retirement Fund is designed to preserve capital in the short-term. The asset mix of the Fund consists solely of short-term (i.e. money market) investments. Fund participation is voluntary and restricted to members within five (5) years of their earliest possible retirement date.

Comparative Measures

The comparative performance measures for the Pre-Retirement Fund is the 91-day T-Bills Index (see page 31).

Performance Results

The Pre-Retirement Fund provided an annual rate of return of 3.17% (after expenses). The rolling 4-year Fund performance is consistent with the benchmark indicator when expenses are taken into consideration.

Goal 1: Strong Financial Performance

Diversified Fund Performance Results

Objective: Earn a rate of return that exceeds the return earned by the benchmark portfolio.

	1-year Return			4-year Return			4-year Results	
	Fund Performance	Indicator Result	Quartile	Fund Performance	Indicator Result	Quartile	2008	2007
Total Fund Performance	-16.10%	-16.0%	3	2.56%	1.9%	2	Achieved	Achieved

Objective: Each investment manager to exceed the benchmark index return for their respective asset class.

	1-year Return			4-year Return			4-year Results	
	Fund Performance	Indicator Result	Quartile	Fund Performance	Indicator Result	Quartile	2008	2007
Canadian Equities Combined	-32.6%	-33.0%	3	0.8%	1.7%	4	Not Achieved	Not Achieved
Greystone	-36.4%	-33.0%	4	3.0%	1.7%	2	Achieved	Achieved
Lincluden**	-23.5%	-27.8%	n/a	0.11%	3.8%	n/a	Not Achieved	Not Achieved
CC&L**	-3.11%	-2.64%	n/a	n/a	n/a	n/a	n/a	n/a
U.S. Equities Combined	-30.4%	-21.2%	4	-4.6%	-4.5%	3	Not Achieved	Achieved
Greystone	-20.6%	-21.2%	2	-2.6%	-4.5%	1	Achieved	Achieved
SSgA - Large Cap*	-39.3%	-39.6%	4	-7.0%	-7.1%	4	Achieved	n/a
SSgA - MidCap*	-40.5%	-39.6%	4	-6.3%	-6.1%	4	Not Achieved	n/a
Non-North American Equities Combined	-31.4%	-29.2%	3	-1.0%	-1.8%	2	Achieved	Achieved
Greystone****	-34.1%	-29.2%	4	-1.9%	-1.8%	3	Not Achieved	Achieved
Tweedy*	-25.8%	-29.2%	1	-1.0%	-1.8%	2	Achieved	n/a
Bonds - Combined	5.8%	6.4%	2	5.2%	5.1%	1	Achieved	Achieved
Greystone	4.8%	6.4%	M	5.0%	5.1%	2	Not Achieved	Achieved
SSgA	7.0%	6.4%	1	5.4%	5.1%	1	Achieved	Achieved
Real Estate - Greystone***	12.3%	8.3%	n/a	20.6%	15.2%	n/a	Achieved	Achieved

Objective: Achieve a minimum annualized rate of return that is 3% in excess of the Consumer Price Index (CPI) over the long-term (i.e. 10 years).

	Fund Performance	Indicator Result	2008	2007
10-year Annualized Return	5.60%	5.2%	Achieved	Achieved

*As of December 31, 2007, 4-year rolling performance could not be evaluated since the mandate began less than 4 years prior.

**Connor, Clark & Lunn (CC&L) replaced Lincluden in November 2008. Lincluden's performance is reported from January 1st to November 19th. CC&L's performance is reported from November 20 to December 31st. Quartile performance was not available for the period.

***The Hewitt Manager Universe does not include quartile performance for real estate investments.

****A quartile rating of "M" indicates performance ranked at the median.

Pre-Retirement Fund Performance Results

Objective: Preserve capital in the short-term.

	Results	
	2008	2007
Positive rate of return on a 1-year and rolling 4-year basis (see below).	Achieved	Achieved

Objective: Earn a rate of return competitive with money-market investments.

	1-year Return			4-year Return			4-year Results	
	Fund Performance	Indicator Result	Quartile	Fund Performance	Indicator Result	Quartile	2008	2007
Greystone	3.17%	3.3%	n/a*	3.30%	3.6%	n/a*	Achieved	Achieved

* Note: The Hewitt Manager Universe does not include quartile performance for money-market investments.

Goal 1: Strong Financial Performance

Retirement Annuity Fund

The Retirement Annuity Fund was established to provide lifetime annuities to members of the Capital Pension Plan. All annuities are fully funded when purchased and the Fund is designed to ensure assets are available to pay the annuities promised. An actuarial valuation is conducted annually.

The risk tolerance for the Fund is considered low as the Fund cannot tolerate loss of principal. The Fund is immunized against changes in interest rates by matching estimated future cash payments with interest and principal payments from the portfolio (duration matching strategy). Assets in excess of those required to implement the duration matching strategy are invested in a well diversified portfolio of Canadian and foreign equities to support the long-term solvency of the Fund.

Comparative Measures

Overall performance of the Retirement Annuity Fund is assessed annually through the actuarial valuation. Performance of the equity component is assessed based on comparative market indices (see page 31). Due to the long-term nature of the Fund, performance goals are evaluated based on rolling 4-year returns, where applicable.

Performance Results

The Retirement Annuity Fund was deemed to be fully funded as at December 31, 2008. No further required contributions were necessary to fund future benefit accruals. In addition, no additional contributions were required to support the plan's accrued liabilities.

Retirement Annuity Fund

	Asset Class & % of Fund @ December 31, 2008	Investment Manager(s)	Comparative Benchmark Indicator(s)
Retirement Annuity Fund	Bonds 75.9%	Greystone Capital Management Inc.	DEX Universe Bond Index
	Short-term Investments/ Cash 19.9%	Greystone Capital Management Inc.	91-day T-Bills
	Canadian Equities 3.5%	Greystone Capital Management Inc.	S&P/TSX Index
	Non-North American Equities 0.7%	Greystone Capital Management Inc.	MSCI EAFE Index

2008 Performance

Goal 1: Strong Financial Performance

Retirement Annuity Fund Performance Results

Objective: To be immune to changes in the level of interest rates.	1-year Results	
	2008	2007
	Achieved	Achieved
Objective: To provide sufficient liquidity to ensure payments to annuitants can be made when due.	1-year Results	
	2008	2007
	Achieved	Achieved
Objective: To ensure long-term fund solvency.	1-year Return	
	Fund Performance	Indicator
	Quartile	
Canadian Equities	4-year Return	
	Fund Performance	Indicator
	Quartile	
Non-North American Equities	4-year Results	
	2008	2007
	Not Achieved	Achieved

Goal 1: Strong Financial Performance

Extract from the annual Actuarial Valuation for the Retirement Annuity Fund, prepared by AON Consulting as at December 31, 2008.

Section 3: Actuarial Opinion and Representations

Actuarial Opinion

With respect to the Capital Pension & Benefits Administration Retirement Annuity Fund we have prepared an actuarial valuation as at December 31, 2008 for the purpose of determining the necessary actuarial information for financial statement reporting in accordance with Section 4100 of the CICA Handbook. In my opinion, for the purpose of this actuarial valuation:

- the data on which this valuation is based are sufficient and reliable;
- where applicable, the assumptions have been adopted as management's best estimates for accounting purposes and consequently I have not rendered an opinion on them; however, in my opinion, the assumptions are, in aggregate not unreasonable or inconsistent with the guidance established by the CICA (Section 3461), when considering the circumstances of the plan and the purpose of the valuation;
- the actuarial cost methods, asset valuation methods and extrapolation methods employed are appropriate; and
- the valuation and extrapolation conform with the requirements of Section 4100 of the CICA Handbook.

Nonetheless, emerging experience differing from the assumptions will result in gains or losses which will be revealed in subsequent valuations.

Representations to the Auditor

The following statements are made in connection with the use of the results of our December 31, 2008 actuarial valuation for CICA Section 4100 statement reporting purposes as evidence for the audit of the fund's financial statements as at December 31, 2008 by the external auditors.

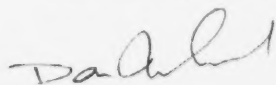
- Aon Consulting Inc. has been engaged by Capital Pension & Benefits Administration as the valuation actuary for the Retirement Annuity Fund to prepare an actuarial valuation as at December 31, 2008 for CICA Section 4100 statement reporting purposes and I confirm that the valuation performed at this date is in accordance with the requirements of Section 4100.
- I confirm that I am a Fellow in good standing with the Canadian Institute of Actuaries (CIA).

Goal 1: Strong Financial Performance

Extract from the annual Actuarial Valuation for the Retirement Annuity Fund, prepared by AON Consulting as at December 31, 2008.

Section 3: Actuarial Opinion and Representations

- I confirm that I have no interest or relationship with the plan or the plan's sponsor that would impair the objectivity of the work prepared in respect of this engagement.
- The plan is a defined benefit plan as defined by Section 4100 of the CICA Handbook.
- I confirm that the December 31, 2008 actuarial valuation has been performed in accordance with the standards of the Canadian Institute of Actuaries.
- We confirm that the December 31, 2008 actuarial valuation has been performed using management's best estimate assumptions as described in Appendix C and a statement of our opinion on these assumptions in accordance with CIA standards is contained above under *Actuarial Opinion*. These actuarial assumptions were developed as management's best estimates based on input from Aon in relation to long-term economic and demographic expectations.
- In preparing the December 31, 2008 actuarial valuation, I have adopted a materiality guideline that is no greater than \$150,000.
- I have performed procedures to satisfy myself of the accuracy and completeness of the source data in light of the specified level of materiality.
- I have relied upon Capital Pension & Benefits Administration to advise me of any plan changes and events that have occurred up to the date of this report. Based on discussions with them, I confirm that I am not aware of any events occurring subsequent to December 31, 2008 and prior to the date of this report that would have a material effect on the valuation results.
- I confirm that I am aware that Capital Pension & Benefits Administration's external auditors are KPMG LLP and that they intend to use the work summarized in this report as audit evidence.



Donald L. Ireland
Fellow, Society of Actuaries
Fellow, Canadian Institute of Actuaries
February 13, 2009

Goal 2: Effective Communication

Communication with Plan members and participating employers is conducted by the Plan's administration staff.

Communication Policy

The Plan's communication policy establishes the parameters of the Plan's communication practices and guidelines regarding the preparation and distribution of specific communication materials utilized by the Plan, such as the intended audience, anticipated and/or intended use as well as production and distribution procedures.

Plan member communication initiatives are designed to:

- inform members about the role of the Capital Pension Plan within their retirement plans;
- enhance knowledge about Plan provisions and relevant legislation;
- promote understanding regarding retirement preparation; and
- provide information and tools to facilitate member decisions.

Participating employer communication initiatives are designed to:

- enhance employer knowledge;
- inform employer staff of any changes regarding Plan provisions, relevant legislation or administrative practices; and
- facilitate pension related employee communication and administration at the employer level.

Performance Results

The results of the comprehensive member survey were compiled during 2008. A total of 415 completed surveys were returned (response rate 5.6%). This provided representative results with a margin of error of $\pm 5\%$.

Communication-related results focused on the Plan's newsletter and website. Readership of the newsletter (*the Capital Report*), is high (79%), with the majority of members finding the newsletter easy to understand and informative (77%). More than 83% of responding members indicated that the Plan should continue publishing paper-based newsletters.

More than half of the responding members indicated that they have visited the Plan's website (60%), with the most common reason for the visit to check rates of return (40%). Approximately 77% of responding members indicated that they can easily find what they need on the Plan's website.

A review of the Plan's communication policy was conducted based on the results of the member survey. The results were:

Positives:

- survey results support the goals and objectives outlined in the communication policy;
- generally, the information sought by Plan members is provided for in the communication policy.

Issues:

- continued efforts required to find balance between providing information that Plan members desire without providing retirement and financial advice that could increase Plan risk.

Goal 2: Effective Communication

Effective Communication Performance Results -- Plan Members

Objective: Provide ongoing information about investment performance, legislative updates and provision changes at regular intervals.	Plan Performance	Indicator	Results	
			2008	2007
Unit value changes posted to website.	1 day	1 day	Achieved	<i>Achieved</i>
Quarterly compound returns posted to website.	1 week	1 week	Achieved	<i>Achieved</i>
Newsletter published and mailed.	3 issues	3 issues	Achieved	<i>Achieved</i>
Provide annual statement.	January 21	March 16	Achieved	<i>Achieved</i>
Provide "Welcome letter" and "Plan Summary " booklet.	15 days	30 days	Achieved	<i>Achieved</i>

Effective Communication Performance Results -- Participating Employers

Objective: Provide ongoing information regarding legislative updates, changes to Plan provisions, operational and administrative practices prior to providing the same information to Plan members.	Plan Performance	Indicator	Results	
			2008	2007
Mail Employer Update Bulletin prior to each issue of <i>the Capital Report</i> .	5 days	5 days	Achieved	<i>Achieved</i>
Employer Update Bulletin for provisional/legislative changes.	30 days	30 days	Achieved	<i>Achieved</i>
Distribute updates to Employer Administration Guide with provisional/legislative changes.	30 days	30 days	Achieved	<i>Achieved</i>

Goal 3: Accountability and Plan Governance

The Pension Board has established several policies pertaining to accountability and Plan governance:

- the *Statement of Investment Policies and Goals* (SIP&G), provides for ongoing compliance reporting by investment managers;
- a *Code of Conduct* is established for the Pension Board and Plan administration staff;
- a *Conflict of Interest* policy is established for the Pension Board, Plan administration staff and service providers (where applicable);
- a *Protection of Confidential Information and Privacy* policy is established regarding the handling of confidential information by Plan administration staff and service providers (where applicable).

Performance Results

During 2008, the Capital Pension Plan continued to develop and refine its governance initiatives, including further development of the Plan Activity checklist and the development of a comprehensive Balanced Scorecard performance measure tool (to be implemented in 2009).

With the overall decline in value of equity investments, the Diversified Fund's real estate holdings with Greystone and bond holdings with SSgA exceeded the asset class maximums outlined in the SIP&G at year end.

These compliance issues will be resolved in 2009, with required rebalancing occurring where appropriate.

Accountability and Plan Governance Performance Results

Objective: Ongoing compliance with Code of Conduct, Conflict of Interest and Protection of Confidential Information and Privacy policies by:	Plan Performance	Indicator	Results	
			2008	2007
Board Members	Compliance	Compliance	Achieved	Achieved
Plan administration staff	Compliance	Compliance	Achieved	Achieved
Service providers (where applicable)	Compliance	Compliance	Achieved	Achieved

Objective: Monitor ongoing compliance with established investment policies by investment managers:	Plan Performance	Indicator	Results	
			2008	2007
Greystone*	Non-compliance	Compliance	Not Achieved	Achieved
Lincluden**	Compliance	Compliance	Achieved	Achieved
CC&L**	Compliance	Compliance	Achieved	n/a*
SSgA*	Non-compliance	Compliance	Not Achieved	Achieved
Tweedy	Compliance	Compliance	Achieved	Achieved

* Due to declines in equity market values, Greystone's real estate holdings and SSgA's bond holdings exceeded asset class maximums outlined in the SIP&G at year end.

**Connor, Clark & Lunn (CC&L) replaced Lincluden in November 2008.

Objective: Review and update Governance Manual.	Plan Performance	Indicator	Results	
			2008	2007
Manual reviewed and updated as required.	Current	Current	Achieved	Achieved

Goal 4: Quality Service to Members and Employers

The Capital Pension Plan is a key element in members' retirement preparation and is an important component in employers' human resource strategies. The Pension Board and Plan Administration are committed to ensuring plan design and delivery policies are sufficiently responsive to evolving human resource policies.

Performance Results

During 2008, the Capital Pension Plan worked to meet the needs of Plan members and participating employers through good governance practices and new initiatives.

Performance Evaluation

In 2007, quantitative performance indicators were developed to assess the attainment of performance goals and objectives. In 2008, the methodology to track the attainment of performance indicators was further refined.

Development of Balanced Scorecard

In 2008, a Balanced Scorecard performance measurement tool was developed. The Balanced Scorecard will be implemented and used to evaluate Plan performance beginning in 2009.

Retirement Primer Sessions and Retirement Primer Guide

In May and June, Retirement Primer information sessions were conducted in Swift Current (1 session), Moose Jaw (2 sessions), Yorkton (2 sessions) Meadow Lake (2 sessions), Saskatoon (3 sessions), Melfort (2 sessions) and Regina (3 sessions). These sessions provide information to Plan members about preparing for retirement.

A Retirement Primer Guide was distributed during the sessions, providing members with step by step guidance and worksheets to assess their own retirement preparedness.

Member One-on-One Meetings

With the introduction of the Variable Benefit retirement income option in 2007, Plan members need for individual retirement preparation support expanded. To meet this need, member one-on-one meetings by appointment were provided upon request.

These meetings focus on member questions regarding the retirement process and typically include the provision of customized retirement income estimates based on the Variable Benefit and/or Life Annuity retirement options. Where applicable, explanations of the provisions of the Variable Benefit and/or Life Annuity, including pros and cons, and assistance with required forms are provided.

Quality Service to Members and Employers Performance Results

	Plan Performance	Indicator	Results	
			2008	2007
Distributing annual statement.	January 21	March 16	Achieved	Achieved
Posting weekly unit values to website.	1 day	1 day	Achieved	Achieved
Processing termination benefits.	7 days	14 days	Achieved	Achieved
Providing statement on retirement.	7 days	30 days	Achieved	Achieved
Processing pension estimates.	7 days	14 days	Achieved	Achieved
Processing marriage breakdown calculations.	7 days	14 days	Achieved	Achieved
Responding to written correspondence.	14 days	14 days	Achieved	Achieved
Responding to telephone and email inquiries.	1 day	1 day	Achieved	Achieved

2008 Risk Assessment Performance Results

Financial		
Risk	Management Strategies	Results
Inadequate performance of assets.	Annual review of SIP&G. Communicate investment performance. Independent monitoring. Performance benchmarking. Member directed investment choices within current policy guidelines.	Achieved
Excessive costs/expenses.	Annual budgeting. Cost benchmarking. Retaining retining members assets in the Plan. Increasing Plan membership. Increasing voluntary contributions from active members.	Achieved

Service Providers		
Risk	Management Strategies	Results
Inadequate performance of service providers.	Annual budget setting and monitoring. Annual review of performance measures. Selection process and criteria. Service providers to have a disaster recovery plan. Plan administrator to have a disaster recovery plan. Ensure integrity of financial reporting and statements. Ensure reliability of internal controls.	Achieved

Compliance with legislative and common-law requirements		
Risk	Management Strategies	Results
Non-compliance with legislative requirements.	Independent investment policy compliance monitoring. Administrator reviews and reports legislative compliance annually. Provincial Audit reports to the legislature regarding audit results of the Plan.	Achieved
Failure to meet fiduciary obligations.	Review Code of Conduct and Conflict of Interest procedures. Training and development policy for Pension Board and Plan administration staff. Annual strategic planning and business planning process. Plan Activity Chart. Accessing professional legal advice as required.	

Communication		
Risk	Management Strategies	Results
Members do not understand the role of pension plan in the attainment of their retirement objectives.	Develop,, implement and review communication policy. Enhance information services. The Capital Report newsletter and web-based retirement planning tools.	Achieved
Members and employers unaware of rights and obligations.	Member and employer seminars. Employer bulletins. Employer Administration Guide. Presentation of information on website. Booklet and other written material.	Achieved

Plan Design		
Risk	Management Strategies	Results
Failure to meet plan members' needs.	Consult with Plan members on a regular basis to determine needs.	Achieved
Failure to meet participating employers' needs.	Consult with participating employers on a regular basis to determine needs.	Achieved

2008 Strategic Business Plan Performance Results

Strong Financial Performance

Initiative	Results and Comments
Investigate the use of currency hedging within the current investment funds.	Achieved
Monitor performance of Diversified Fund and Pre-Retirement Fund based on established objectives and comparative benchmarks.	Achieved
Investigate asset mix changes for the addition of other investment products as part of the investment strategies of the Plan.	Achieved

Effective Communication

Initiative	Results and Comments
Continue to review and revise, as required, the communication policy.	Achieved
Continue to update and revise the communication strategy for Variable Benefit retirement income option.	Achieved
Gather and assess key information and data assessment of current methods, tools, channels, including consulting with stakeholders and researching best practices among relevant entities.	Achieved
Conduct the first annual assessment of progress made in implementing the revised communication policy and strategy.	Achieved
Develop a Retirement Primer Guide for members.	Achieved
Plan newsletter to provide more emphasis on preparing for retirement.	Achieved
Investigate adding a toll-free telephone number for Plan member inquiries.	Achieved
Complete the Plan Member survey.	Achieved
Conduct Participating Employer survey.	Achieved

Accountability and Plan Governance

Initiative	Results and Comments
Review and update as required all aspects of the governance manual.	Achieved
Continue the development of Pension Board knowledge and skills.	Achieved
Complete a review of the mission, vision and values statements.	Achieved
Publish results of research into key performance indicators.	Achieved
Publish the progress made in the previous year in relation to the strategic business plan.	Achieved
Review the strategic business plan.	Achieved

Service to Members and Employers

Initiative	Results and Comments
Review progress in relation to the Value Added Services Plan, and make revisions as needed.	Achieved
Develop a Retirement Primer Guide for members.	Achieved
Identify and assess options for financing value added services.	Achieved
Identify and assess alternative delivery strategies, including the potential role of outside resources.	Achieved
Continue to investigate the feasibility of offering additional investment choice for members.	Achieved
Determine impacts of offering phased retirement.	Achieved

2008 Performance

2008 Value Added Services Plan Performance Results

Goal	Value Added Service	Results
Strong Financial Performance	Investigate possible addition of new investment funds within the Plan to provide for enhanced investment choice for members.	Deferred -- further investigation required.
	Investigate possibility of offering a Variable Benefit-like option for members employed in other jurisdictions that permit.	Achieved -- not cost effective at this time.
Effective Communication	Develop Retirement Primer Guide to accompany Retirement Primer Information sessions.	Achieved -- Guide distributed during Retirement Primer Information sessions.
	Review and revise communication practices based on results of Member Survey.	Achieved -- communication policy reviewed.
Accountability and Plan Governance	Conduct Participating Employer Survey	On target -- survey distributed in 2008, results compiled in 2009.
Quality Service to Members and Employers	Investigate option to provide phased retirement.	Achieved -- decision deferred to 2009.
	Conduct Participating Employer survey.	On target -- survey distributed in 2008, results compiled in 2009.

Balanced Scorecard

To evaluate ongoing Plan performance, a Balanced Scorecard performance measurement tool will be implemented beginning in 2009.

The Balanced Scorecard for the Capital Pension Plan contains five (5) perspectives:

- Financial
- Customer
- Growth and Innovation
- Internal Resources and Processes
- Accountability

The implementation strategy for the Balanced Scorecard includes realigning the 3-year Strategic Initiatives Timetable (formerly the Strategic Business Plan) to correspond with the perspectives of the Balanced Scorecard.

Strategic Initiatives Timetable

Financial perspective

2009	2010	2011
Continue to review the use of currency hedging within the current investment funds.	Continue to review, obtain additional information and change investment strategies as required.	Continue to review, obtain additional information and change investment strategies as required.
Monitor the performance of the Diversified Fund, the Pre-Retirement Fund and the Retirement Annuity Fund based on established objectives and comparative benchmarks.	Continue to monitor performance of Diversified Fund and Pre-Retirement Fund based on the established objectives and comparative benchmarks.	Continue to monitor performance of Diversified Fund and Pre-Retirement Fund based on the established objectives and comparative benchmarks.
Investigate asset mix changes or the addition of other investment products as part of the investment strategies of the Plan.		
Prepare for implementation of International Financial Reporting Standards (IFRS).	Further preparation for implementation of IFRS.	Implementation of IFRS.
Investigate CEO/CFO Certification.	Implementation of CEO/CFO Certification.	

Customer perspective

2009	2010	2011
Continue to review and revise, as required, the communications policy and strategy.	Continue to review and revise, as required, the communication policy and communication strategy.	Continue to review and revise, as required, the communication policy and communication strategy.
Gather and assess key information and data, assess current methods, tools, channels, including consultation with stakeholders and researching best practices among relevant entities.		
The <i>Capital Report</i> newsletter to provide more emphasis on preparing for retirement.		
Complete participating employer survey.		
Ensure all communication materials are reviewed and updated as required.		
Complete a refresh of the Plan's public website.		
Develop strategy for teleconferencing with Plan members who are unable to meet with staff one on one at the pension plan's office.		

*Strategic Initiatives Timetable (continued)***Growth & Innovation perspective**

2009	2010	2011
Review progress in relation to the Value Added Services Plan, and make revisions as needed.	Review progress in relation to the Value Added Services Plan and make revisions as needed.	Review progress in relation to the Value Added Services Plan and make revisions as needed.
Continue to offer and expand information provided through the Retirement Primer Guide for members.		
Identify and assess options for financing value added services.		
Identify and assess alternative delivery strategies, including the potential role of outside resources.		
Continue to investigate the feasibility of offering additional investment choice for members.		
Reach consensus on phased retirement.		
Develop a retention strategy for member assets.		

Internal Resources and Processes perspective

2009	2010	2011
Continue to respond to the needs of plan members and participating employers.	Continue to respond to the needs of plan members and participating employers.	Continue to respond to the needs of plan members and participating employers.
Budget provides funding for staff training and professional development.		
Budget provides for necessary upgrades to staff work stations.		

Accountability perspective

2009	2010	2011
Review and update as required all aspects of the governance manual.	Conduct annual assessment of plan governance program.	Conduct annual assessment of plan governance program.
Continue the development of Pension Board knowledge and skills.	Re-assess the adopted service standards and performance indicators.	Re-assess the adopted service standards and performance indicators.
Complete a review of the mission, vision and values statements.	Publish results in relation to standards, performance indicators and strategic plan.	Publish results in relation to standards, performance indicators, and strategic plan.
Publish the progress made in the previous year in relation to the strategic plan.	Act on the results of the Pension Board self-assessment.	Act on the results of the Pension Board self-assessment.
Act on the results of the Pension Board self-assessment.	Review the strategic plan.	Review the strategic plan.
Review the strategic plan.		
Implementation of a balanced scorecard performance measurement and reporting tool.		

2009 and Beyond

2009 Value Added Services Plan

Perspective	Value Added Service	Purpose
Financial	Investigate asset mix changes or the addition of other investment products as part of the investment strategies of the Plan	Attract and retain adequate value in the Plan to enact the investment policies and maintain relatively low MERs.
Customer	Capital Reports to provide more emphasis on preparing for retirement.	Provide required information and expand member knowledge regarding retirement preparation.
	Strategy for teleconferencing with Plan members who are unable to meet with staff one on one at the pension plan's office.	
Growth and Innovation	Reach consensus on phased retirement.	Retain adequate value in the Plan to enact the investment policies and maintain relatively low MERs.
	Develop a retention strategy for member assets.	
Internal Resources and Processes	Upgrades to staff work stations as required.	Ensure staff have required tools to effectively communicate with stakeholders and perform their duties.
Accountability	Implement balanced scorecard performance measurement and reporting tool.	Facilitate effective Plan performance.

Service Providers

Diversified Fund Investment Managers

Connor, Clark & Lunn (CC&L), Vancouver, British Columbia

CC&L is a quantitative value style manager, responsible for a portion of the Fund's Canadian equity investment mandate. CC&L replaced Lincluden in November 2008.

Greystone Capital Management Inc. (Greystone), Regina, Saskatchewan

Greystone actively manages a diversified portfolio of Canadian and foreign equities, Canadian bonds, real estate and short-term investments. Greystone contracts Goldman Sachs and Hansberger Global Investors to manage the Non-North American equities portion of its investment mandate.

Lincluden Management Limited (Lincluden), Oakville Ontario

Lincluden is a value style manager, responsible for a portion of the Fund's Canadian equity investment mandate. Lincluden was replaced by Connor, Clark & Lunn (CC&L) in November 2008.

State Street Global Advisors (SSgA), Toronto, Ontario

SSgA is an index (i.e. passive) manager, responsible for a portion of the Fund's U.S. equity and Canadian bond investment mandates.

Tweedy Browne Company, LLC (Tweedy), New York, New York

Tweedy is a value style manager, responsible for a portion of the Fund's Non-North American equity investment mandate.

Pre-Retirement Fund Investment Manager

Greystone Capital Management Inc. (Greystone), Regina, Saskatchewan

Greystone manages the entire portfolio for the Pre-Retirement Fund.

Retirement Annuity Investment Manager

Greystone Capital Management Inc. (Greystone), Regina, Saskatchewan

Greystone manages the entire portfolio for the Retirement Annuity Fund.

Asset Consultant

Hewitt Associates
Regina, Saskatchewan

Auditors

KPMG, LLP
Regina, Saskatchewan

Custodian

RBC Dexia
Calgary, Alberta

Actuary

AON Consulting Inc.
Saskatoon, Saskatchewan

Description of Comparative Measures

91-day T-bills

Canadian treasury bills represent the highest quality short-term investment available. The index is constructed by selling and repurchasing Government of Canada T-Bills with an average term to maturity of 91 days.

Consumer Price Index (CPI)

CPI measures the relative prices at various times of a select group of goods and services which typify those purchased by urban families. It is used to gauge Canada's inflation rate. The series used is the all items, not seasonally adjusted, 1992 base.

DEX Long Term Bond Index

DEX (formerly Scotia Capital) Long Term Bond Index is a capitalization-weighted index containing bonds with a term to maturity of greater than 10 years. It includes approximately 350 marketable Canadian bonds. Average term to maturity is 22 years and average duration is 12.5 years.

DEX Universe Bond Index

The DEX Universe Bond Index (formerly the Scotia Capital Universe Bond Index) covers all marketable Canadian bonds with term to maturity of more than one year. The Universe contains over 1,000 marketable Canadian bonds with an average term of 10 years and an average duration of 6.5 years. The purpose of the index is to reflect the performance of the broad "Canadian Bond Market" in a similar manner to the S&P/TSX Composite Index.

Hewitt Manager Universe

The Hewitt Manager Universe is a database of active manager returns, using both composite and pooled fund returns. All performance data must be for active strategies and suitable/available to institutional investors.

IPD Index

The ICREIM/IPD Index is published by the Investment Property Databank Ltd. and measures total returns on a diversified portfolio of over 1,700 properties, compiled from property level information from pension funds, life insurance companies and real estate managers on a quarterly basis.

MSCI EAFE Index

The Morgan Stanley Capital International Europe, Australia and Far East Index is a widely recognized benchmark of non-U.S. stock markets. It is an unmanaged index composed of a sample of companies representative of the market structure of 21 European and Pacific basin Countries and includes reinvestment of all dividends. This index aims to capture 85% of the free float adjusted market capitalization in each industry group in each country.

S&P 500 Index

The Standard & Poors 500 Index measures the total return attributable to the 500 largest capitalized companies on the U.S. stock exchanges.

S&P 500 Index (Hedged to \$C)

A synthetic hedging model constructed by Northwater Capital Management Corporation. Through the use of derivative products the return of the index is hedged to Canadian dollars eliminating currency risk.

S&P 400 Index (Hedged to \$C)

The S&P 400 Index consists of 400 medium-sized companies chosen for market size, liquidity and industry group representation. The index is hedged back into Canadian dollars to mitigate currency risk. It is a market value weighted index and was the first benchmark of mid cap stock price movement.

S&P/TSX Index

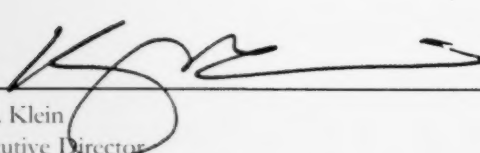
The index comprises over two-thirds of the market capitalization for Canadian-based, Toronto Stock Exchange listed companies. The S&P/TSX Composite index is calculated on a float market capitalization and is the broadest Canadian equity index available. The index also serves as the premier benchmark for Canadian pension funds and mutual market funds.

Management's Responsibility for Financial Reporting


The financial statements and information contained in this 2008 Annual Report have been prepared by management of the Capital Pension and Benefits Administration and have been approved by the Pension Board. Information presented in this Annual Report that relates to the operation and financial position of the Capital Pension Plan is consistent with that in its financial statements.

The Financial Statements have been prepared in accordance with Canadian generally accepted accounting principles and are consistently applied, using management's best estimates and judgements where appropriate. Management is responsible for the adequacy of the internal controls which ensures the reliability and integrity of the Financial Statements and other information presented in this Annual Report.

KPMG, the Plan's external auditor, provides independent audit of the financial statements. Its examination is conducted in accordance with Canadian generally accepted auditing standards and includes tests and other procedures that allow it to report on the fairness of presentation of the financial statements prepared by management.



K.M. Klein
Executive Director
Capital Pension & Benefits Administration
March 10, 2009



S. Jones
Director, Pensions
Capital Pension & Benefits Administration
March 10, 2009

Financial Statements of

CAPITAL PENSION PLAN

Year ended December 31, 2008





KPMG LLP
Chartered Accountants
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Regina Saskatchewan S4P 4K9
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AUDITORS' REPORT

To the Members of the Legislative Assembly
Province of Saskatchewan

We have audited the statement of net assets available for benefits of the Capital Pension Plan as at December 31, 2008 and the statement of changes in net assets available for benefits for the year then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the net assets available for benefits of the Capital Pension Plan as at December 31, 2008 and changes in net assets available for benefits for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Regina, Canada
February 26, 2009



CAPITAL PENSION PLAN
STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS

As at December 31

	2008			2007		
	Defined Contribution Fund	Retirement Annuity Fund	Total	Defined Contribution Fund	Retirement Annuity Fund	Total
	(thousands of dollars)					
Assets						
Investments (Note 4)	\$ 767,814	\$ 43,288	\$ 811,102	\$ 916,722	\$ 42,275	\$ 958,997
Cash	1,419	29	1,448	136	13	149
Contributions receivable	749	1	750	591	1	592
Interest and dividends receivable	2,017	304	2,321	2,284	301	2,585
Capital assets (Note 8)	393	-	393	573	-	573
Total assets	<u>772,392</u>	<u>43,622</u>	<u>816,014</u>	<u>920,306</u>	<u>42,590</u>	<u>962,896</u>
Liabilities						
Accounts payable (Note 11)	572	7,043	7,615	542	6,893	7,435
Prepaid participants' contributions	293	-	293	188	-	188
Provision for annuity benefits (Note 10)	-	21,945	21,945	-	24,409	24,409
Total liabilities	<u>865</u>	<u>28,988</u>	<u>29,853</u>	<u>730</u>	<u>31,302</u>	<u>32,032</u>
Net assets available for benefits	<u>\$ 771,527</u>	<u>\$ 14,634</u>	<u>\$ 786,161</u>	<u>\$ 919,576</u>	<u>\$ 11,288</u>	<u>\$ 930,864</u>

(see accompanying notes)

On behalf of the Pension Plan Board of Directors:

Director

Leahy Ogilvie, CA

Director

[Signature]

CAPITAL PENSION PLAN
STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

As at December 31

	2008			2007		
	Defined Contribution Fund	Retirement Annuity Fund	Total	Defined Contribution Fund	Retirement Annuity Fund	Total
	(thousands of dollars)					
Increase in Assets						
Investment income (loss) (Note 5)	\$ (14,472)	\$ 2,108	\$ (12,364)	\$ 95,619	\$ 5,764	\$ 101,383
Contributions and transfers in (Note 6)	33,141	2,078	35,219	33,045	316	33,361
Decrease in provision for Annuity benefits (Note 10)	-	2,464	2,464	-	2,649	2,649
	<u>18,669</u>	<u>6,650</u>	<u>25,319</u>	<u>128,664</u>	<u>8,729</u>	<u>137,393</u>
Decrease in Assets						
Withdrawals and transfers out (Note 7)	39,374	2,520	41,894	37,623	2,548	40,171
Net unrealized change in fair value of investments	123,517	660	124,177	64,064	3,578	67,642
Operating expenses	<u>3,827</u>	<u>124</u>	<u>3,951</u>	<u>3,971</u>	<u>127</u>	<u>4,098</u>
	<u>166,718</u>	<u>3,304</u>	<u>170,022</u>	<u>105,658</u>	<u>6,253</u>	<u>111,911</u>
Increase (decrease) in net assets	(148,049)	3,346	(144,703)	23,006	2,476	25,482
Net assets available for benefits, beginning of year	<u>919,576</u>	<u>11,288</u>	<u>930,864</u>	<u>896,570</u>	<u>8,812</u>	<u>905,382</u>
Net assets available for benefits, end of year	<u>\$ 771,527</u>	<u>\$ 14,634</u>	<u>\$ 786,161</u>	<u>\$ 919,576</u>	<u>\$ 11,288</u>	<u>\$ 930,864</u>

(see accompanying notes)

CAPITAL PENSION PLAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2008

1. Description of Plan

The following description of Capital Pension Plan (the Plan) is a summary only. For more complete information, reference should be made to the Plan Text.

- a) The Plan was established pursuant to **The Crown Corporations Act, 1978** and is continued under **The Crown Corporations Act, 1993**. The Plan is available to corporations both in the public and private sector (participants) upon approval of the Plan's Board of Directors. The Plan is subject to **The Pension Benefits Act, 1992**.

- b) The Plan is comprised of a Defined Contribution Fund (DCF) and a Retirement Annuity Fund (RAF). These Funds are managed by professional investment managers whose investment performance is measured against objectives established by the Capital Pension Plan Board of Directors as outlined in the Statement of Investment Policies and Goals.

- i) **Defined Contribution Fund (DCF)**

The DCF receives and holds, in trust, member and participant contributions as well as the related investments and investment income derived from these contributions. There are two investment options available to DCF members, the Diversified Fund (DF) and the Pre-Retirement Fund (PRF). The total amount available to a member upon termination or retirement is equal to the particular member's account balance at that date, subject to certain vesting and other specific rules governing the Plan.

A Variable Benefit (VB) pension option is available to eligible current and former DCF members as a retirement income alternative. This option allows for payments to be paid to members through either lump-sum withdrawals or periodic payments subject to minimum withdrawals set by the Income Tax Act. VB members' equity remains invested in the DCF.

- ii) **Retirement Annuity Fund (RAF)**

The RAF was established to provide Plan members with the option of purchasing a life annuity upon retirement. If the member elects to purchase a life annuity from the RAF, the individual's account balance is transferred from the DCF to the RAF and a pension annuity contract is established based on current interest rates and group annuity mortality tables.

- c) Crown Investments Corporation of Saskatchewan is the sponsor for the Pension Plan, and as such, is ultimately responsible for any shortfalls that may occur in RAF. The DCF has no responsibility to fund any shortfalls that may arise in the RAF.
- d) Plan assets are invested separately for the DCF and RAF based on the investment objectives approved for each fund.
- e) The Plan is a Registered Pension Plan and is not subject to income taxes under the **Income Tax Act**.

CAPITAL PENSION PLAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2008

2. Significant Accounting Policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The following are considered to be significant:

a) Changes in accounting policies

Effective January 1, 2008, two new presentation and disclosure standards were adopted: Canadian Institute of Chartered Accountants (CICA) Handbook Section 3862, Financial Instruments – Disclosures (Section 3862); and Handbook Section 3863, Financial Instruments – Presentation (Section 3863).

Sections 3862 and 3863 replaced Handbook Section 3861, Financial Instruments – Disclosure and Presentation. The new disclosure standards increase the disclosures related to financial instruments and the nature, extent and management of the plan's risks arising from financial instruments. The presentation standards carry forward unchanged the former presentation requirements. As these standards only address disclosure and presentation requirements, there is no impact on the Plan's operating results.

b) Net assets available for benefits

i) Defined Contribution Fund

This amount represents the difference between the DCF's assets and liabilities. These assets are for the exclusive use of the DCF members for providing retirement income.

ii) Retirement Annuity Fund

This amount signifies assets in excess of liabilities which is available to meet the payment obligations of current and future annuitants.

c) Valuation of investments

Plan investments are recorded at fair value and determined as follows:

i) Bonds, debentures and equities listed upon a recognized public exchange are recorded at their closing bid price on the valuation date.

Bonds, debentures and equities not traded on the valuation date are recorded at a price between the latest closing ask and bid prices.

Bonds, debentures and equities not listed upon any exchange are recorded in the same manner as above based upon available public quotations in common use or at a price estimated to be the fair value thereof.

ii) Pooled funds are recorded based on the quoted bid price of the underlying investments.

iii) Short-term investments are recorded at cost which approximates their fair value.

iv) Real estate investments are recorded at fair value using an independent appraisal system that considers such factors as replacement cost and earnings results.

d) Investment Income and transaction costs

Investment income, which is recorded on an accrual basis, includes interest income, dividends, real estate operating income, and net gains or losses from sales of securities or real estate.

Investment transactions are recorded on their respective trade date. Investment transaction costs are recognized in the Statement of Changes in Net Assets Available for Benefits in the period incurred.

e) Foreign currency translation

Monetary items denominated in foreign currency are translated to Canadian dollars at exchange rates in effect at the year end date. Revenues and expenses are translated at rates in effect at the time of the transactions. Foreign exchange gains and losses are included in income.

CAPITAL PENSION PLAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2008

2. Significant Accounting Policies (continued)

f) Capital assets

Capital assets are recorded at cost less accumulated amortization. Amortization is recorded on a straight line basis over their estimated useful lives as follows:

Computer equipment & software	3-5 years
Office furniture	5 years
Leasehold improvements	5 years

e) Use of estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the recorded amounts of revenue and expenses during the year. Significant items subject to such estimates and assumptions include the valuation of investments and provision for annuity benefits. Actual results could differ from these estimates.

3. Future Changes in Significant Accounting Policies

In February 2008, the Canadian Accounting Standards Board confirmed that publicly accountable enterprises, including the Plan, will be required to adopt IFRS in place of Canadian GAAP for interim and annual reporting in fiscal years beginning on or after January 1, 2011, including comparative figures for the prior year. A conversion plan is in the early stages and, as a result, the impact on the Plan's future financial statements is not reasonably determinable.

4. Investments

a) Financial risk management

The investment objectives of the Plan are to maximize retirement wealth; ensure sufficient assets exist to meet future pension obligations; and to generate sufficient cash flow to meet pension payments. Due to the long-term horizon of the Plan's obligations, the Plan takes a long-term investment perspective. In order to achieve these goals, the Plan invests in a variety of investments. These investments have varying levels of risk and are also subject to different types of risk.

The associated risks include credit risk, market risk (consisting of interest rate risk, foreign exchange risk and equity price risk) and liquidity risk. Changes in these risks can affect the value of investments. These risks are managed by employing an investment policy, which is approved annually by the Pension Board. This policy provides portfolio asset mix guidelines to the Plan's investment managers regarding quality and quantity of fixed income investments, real estate and equity investments. The asset mix helps to reduce the impact of market value fluctuations by requiring investments in different asset classes and in different domestic and foreign markets.

The DCF primarily utilizes an active management investment strategy which has a greater proportion of its investments in equities as apposed to fixed income assets. Subsequently the DCF has a higher risk tolerance. The RAF, alternatively, has a low risk tolerance and invests primarily in high quality fixed income investments with a lesser portion invested in equities.

i) Credit risk

Credit risk arises from the potential for issuers of securities to default on their contractual obligations to the Plan. Credit risk within investments is primarily related to short-term investments, bonds and debentures, and the fixed income pooled funds. The Plan limits credit risk by setting investment restrictions and quality standards within its Statement of Investment Policies and Goals.

The minimum quality standard for government bonds and debentures is "BBB" or equivalent as rated by a recognized bond rating agency, at the time of purchase. Corporate bonds must meet a minimum quality standard of "A", at the time of purchase. The Plan's investment policy limits each investment Manager's bond portfolio concentration in any one single issuer (and its related companies) to 10% (except for federal and provincial) of their total portfolio. No more than 20% of the market value of a Manager's bond portfolio shall be invested in bonds of foreign issuers. "BBB" holdings can not exceed 15% of the market value of the bond portfolio.

CAPITAL PENSION PLAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2008

4. Investments (continued)

The minimum quality standard for individual short-term investments is "R-1" or equivalent rating as rated by a recognized bond rating agency, at the time of purchase.

The value of the fixed income pooled funds is impacted by the credit risk of the underlying investments which is governed by the pooled fund's guidelines.

At December 31, 2008, the Plan's maximum credit risk exposure relates to bonds and debentures, short term investments, and the fixed income pooled fund totaling \$367.78 million (2007 - \$386.68 million).

ii) Market risk

Market risk represents the potential for loss from changes in the value of financial instruments. Value can be affected by changes in interest rates, foreign exchange rates and equity prices. Market risk primarily impacts the value of investments.

a. Interest rate risk

Interest rate risk refers to the adverse consequences of interest rate changes on the Plan's net assets available for benefits and changes in net assets available for benefits. At December 31, 2008, the Plan holds approximately 47% (2007 - 53%) of its investments in equities and 53% (2007 - 47%) in fixed income investments which includes short term investments and a pooled fund.

The Plan manages interest rate risk by investing in a well diversified portfolio of interest-sensitive asset classes and investments subject to other risks within the asset mix guidelines provided in the Statement of Investment Policies and Goals. The DCF predominantly uses active management which provides the opportunity to mitigate or take advantage of changes in interest rates. The RAF is managed by investing in fixed income investments that provide cash flows that match payments to annuitants.

Duration is a measure used to estimate the extent market values of fixed income investments change with changes in interest rates. Using this measure, it is estimated that a 100 basis point increase (decrease) in interest rates would decrease (increase) net assets available for benefits by approximately \$20 million at December 31, 2008; representing 4.71% of the fair value of fixed income investments.

b. Foreign exchange risk

The Plan is exposed to foreign exchange risk through the holding of foreign equities, foreign equity pooled funds and foreign bonds and debentures where investment values may fluctuate due to changes in exchange rates. This risk is managed by limiting the amount of investments denoted in foreign currencies and by investing in securities that are strategically distributed over several geographic areas. As well, a portion of the foreign equities investments are hedged against foreign currency fluctuations.

At December 31, 2008, the Plan's foreign currency exposure was \$83.98 million (2007 - \$89.70 million) in U.S. equities and bonds and debentures and \$108.84 million (2007 - \$147.71 million) in equities originating from Europe, Australia, and the Far East (EAFE). If the Canadian dollar appreciated (depreciated) 10% versus the U.S. dollar exchange rate, it would result in approximately an \$8 million decrease (increase) in net assets available for benefits. A 10% weakening (strengthening) in the Canadian dollar versus the EAFE currencies would result in approximately a \$11 million increase (decrease) in net assets available for benefits.

c. Equity price risk

Equities comprise approximately 47% (2007 - 53%) of the Plan's total investments. The individual stock holdings are diversified by geography, industry type and corporate entity. The diversification strategy means the Plan is susceptible to equity price changes in the Canadian, U.S. and EAFE markets.

The key indexes that represent these markets are used to measure plan performance. The performance of the Plan's assets invested in these markets will be similar to the performance of the corresponding index.

CAPITAL PENSION PLAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2008

4. Investments (continued)

The following table indicates the approximate change that would be expected to the net assets available for benefits based on changes in the Plan's benchmark indices December 31, 2008:

	(thousands of dollars)	
	10% increase	10% decrease
S&P/TSX Composite Index	\$ 13,333	\$ (13,333)
S&P 500 Index	11,991	(11,991)
S&P 400 Index	1,792	(1,792)
MSCI EAFE Index	10,884	(10,884)

No one investee or related group of investees represents greater than 10% of the market value of the Plan's common share portfolio. As well, no one holding represents more than 10% of the voting shares of any corporation.

iii) Liquidity risk

Liquidity risk is the risk that the Plan is unable to meet its' contractual financial liabilities as they fall due. The Plan's contractual financial liabilities fall under three categories: accounts payable, prepaid participants contributions and the provision for annuity benefits.

The Plan's cash resources are managed daily based on anticipated cash flows. The cash requirement for the accounts payable and prepaid participant contributions obligations is managed through money market investments, short term investments and contributions to the Plan. The Provision for Annuity Benefits cash requirement is managed through short term investments, bond and debenture interest and investment maturities.

The following table summarizes the estimated contractual maturities of the Plan's financial liabilities at December 31:

	2008			2007		
	Defined Contribution Fund	Retirement Annuity Fund	Total	Defined Contribution Fund	Retirement Annuity Fund	Total
	(thousands of dollars)					
Accounts payable						
Due < 1 year	\$ 572	\$ 30	\$ 602	\$ 542	\$ 28	\$ 570
1 - 5 years	-	7,013	7,013	-	6,865	6,865
Pre-paid participant contributions						
Due < 1 year	293	-	293	188	-	188
Provision for annuity benefits						
Due < 1 year	-	2,199	2,199	-	2,116	2,116
1 - 5 years	-	8,482	8,482	-	8,152	8,152
After 5 years	-	11,264	11,264	-	14,141	14,141
	<u>\$ 865</u>	<u>\$ 28,988</u>	<u>\$ 29,853</u>	<u>\$ 730</u>	<u>\$ 31,302</u>	<u>\$ 32,032</u>

CAPITAL PENSION PLAN
NOTES TO FINANCIAL STATEMENTS

December 31, 2008

4. Investments (continued)

b) Securities Lending

The Plan's Statement of Investment Policies and Goals allows for securities to be lent to counterparties for the purpose of generating revenue in exchange for pledged collateral. Acceptable collateral includes cash, readily marketable government bonds, treasury bills, letters of credit, discount notes and banker's acceptances of Canadian chartered banks. In Canada, the current practice is to obtain collateral of at least 105% of the market value of the securities lent.

At December 31, 2008 the Plan has \$49.06 million (2007 - \$105.48 million) in equities, bonds and debentures and short term investments on loan to various counterparties. At December 31, 2008, the total amount of collateral pledged to the Plan amounted to \$52.15 million which is approximately 106% of the market value of the securities lent (2007 - \$133.39 million, 126% of the market value of the securities lent).

c) Defined Contribution Funds investments consist of the following:

	2008	2007
	(thousands of dollars)	(thousands of dollars)
Bonds and debentures		
Government of Canada	\$ 30,246	\$ 77,464
Province of Saskatchewan	4,521	1,532
Other provincial	42,421	42,944
Municipal	4,604	2,183
Foreign	3,049	3,119
Corporate and convertible	59,156	47,782
	<u>143,997</u>	<u>175,024</u>
Pooled funds		
Canadian money market fund	43,375	8,126
Canadian fixed income fund	133,317	124,590
S&P 400 midcap index fund hedged	17,915	29,878
S&P 500 index fund hedged	38,980	64,176
Non-North American equity fund	57,233	80,498
Canadian equity fund	68,512	-
	<u>359,332</u>	<u>307,268</u>
Short-term investments	14,385	55,010
Equities	195,552	327,177
Mortgage	-	537
Real estate	54,548	51,706
	<u>264,485</u>	<u>434,430</u>
	<u>\$ 767,814</u>	<u>\$ 916,722</u>

d) Retirement Annuity Fund investments consist of the following:

	2008	2007
	(thousands of dollars)	(thousands of dollars)
Bonds and debentures		
Government of Canada	\$ 11,200	\$ 10,213
Province of Saskatchewan	3,117	3,163
Other provincial	18,537	17,739
	<u>32,854</u>	<u>31,115</u>
Pooled funds		
Canadian equity funds	1,531	2,420
Non-North American equity fund	282	429
Canadian money market fund	7,140	6,898
	<u>8,953</u>	<u>9,747</u>
Short-term investments	1,481	1,413
	<u>\$ 43,288</u>	<u>\$ 42,275</u>

CAPITAL PENSION PLAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2008

4. Investments (continued)

e) Bonds and debentures

For the DCF, fixed income bonds have effective rates ranging between 0.80% and 10.10% and coupon rates between 2.70% and 11.00% (2007 - effective rates of 3.80% to 6.50%, coupon rates of 3.75% to 8.75%). For the RAF, fixed income bonds and debentures have effective rates of 0.79% to 5.34% and coupon rates of 0.00% to 10.25% (2007 - effective rates of 3.77% to 4.79%, coupon rates of 0.00% to 10.25%).

The carrying value amount is shown by contractual maturity. Actual maturity may differ from contractual maturity because certain borrowers have the right to call or prepay certain obligations with or without call or penalties.

Bonds and debentures term to maturity – carrying value:

	2008			2007		
	Defined Contribution Fund	Retirement Annuity Fund	Total	Defined Contribution Fund	Retirement Annuity Fund	Total
	(thousands of dollars)					
Government of Canada						
Due < 1 year	\$ 12,622	\$ 1,142	\$ 13,764	\$ -	\$ 590	\$ 590
1-5 years	15,101	1,810	16,911	61,582	2,767	64,349
After 5 years	2,523	8,248	10,771	15,882	6,856	22,738
Province of Saskatchewan						
1-5 years	-	1,058	1,058	-	1,083	1,083
After 5 years	4,521	2,059	6,580	1,532	2,080	3,612
Other provincial						
Due < 1 year	-	-	-	-	1,003	1,003
1-5 years	6,522	1,716	8,238	6,875	461	6,063
After 5 years	35,899	16,821	52,720	36,069	16,275	53,617
Municipal						
After 5 years	4,604	-	4,604	2,183	-	2,183
Foreign						
1-5 years	1,390	-	1,390	663	-	663
After 5 years	1,659	-	1,659	2,456	-	2,456
Corporate and convertible						
Due < 1 year	546	-	546	1,097	-	1,097
1-5 years	23,714	-	23,714	17,861	-	17,861
After 5 years	34,896	-	34,896	28,824	-	28,824
	<u>\$ 143,997</u>	<u>\$ 32,854</u>	<u>\$ 176,851</u>	<u>\$ 175,024</u>	<u>\$ 31,115</u>	<u>\$ 206,139</u>

f) Pooled funds

Pooled fund investments are governed by the specific policies instituted by the investment manager for each fund. The policies pertaining to each pooled fund are reviewed and approved to ensure that they are acceptable Plan investments.

The Plan's units in pooled funds have no fixed interest rate and the returns are based on the success of the fund manager.

g Short-term investments

These investments are comprised of treasury bills, notes and commercial paper with effective interest rates of 0.88% to 2.70% (2007 – 3.90% to 4.90%). Interest is receivable at maturity.

CAPITAL PENSION PLAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2008

4. Investments (continued)

g) Equities

The DCFs' investment policy allows no one holding to represent more than 10% of the fair value of the portfolio and no one holding to represent more than 10% of the common stock in any corporation.

h) Real estate

Investments in real estate consist of Canadian commercial property. The risk associated with real estate is minimized through diversification across property type, geographical distribution and investment size.

5. Investment Income

Investment income is comprised of the following:

	2008			2007		
	Defined Contribution Fund	Retirement Annuity Fund	Total	Defined Contribution Fund	Retirement Annuity Fund	Total
	(thousands of dollars)					
Bond and debenture interest	\$ 16,144	\$ 1,517	\$ 17,661	\$ 27,224	\$ 1,519	\$ 28,743
Interest on short-term investments	2,406	281	2,687	1,501	232	1,733
Interest on mortgages	12	-	12	24	-	24
Dividends	14,242	95	14,337	17,462	336	17,798
Income from real estate	2,561	-	2,561	6,130	-	6,130
Net gain (loss) on sale of bonds and debentures	2,361	216	2,577	(833)	439	(394)
Net gain (loss) on sale of equities	(54,522)	(1)	(54,523)	41,026	3,238	44,264
Net gain on sale of real estate	2,324	-	2,324	3,085	-	3,085
	<u>\$ (14,472)</u>	<u>\$ 2,108</u>	<u>\$ (12,364)</u>	<u>\$ 95,619</u>	<u>\$ 5,764</u>	<u>\$ 101,383</u>

6. Contributions and Transfers In

Contributions and transfers in are comprised of the following:

	2008			2007		
	Defined Contribution Fund	Retirement Annuity Fund	Total	Defined Contribution Fund	Retirement Annuity Fund	Total
	(thousands of dollars)					
Participants' contributions	\$ 15,002	\$ -	\$ 15,002	\$ 14,134	\$ -	\$ 14,134
Members' contributions	12,712	-	12,712	12,011	-	12,011
Voluntary contributions	1,798	-	1,798	1,645	-	1,645
Transfers into the fund	5,707	-	5,707	5,571	-	5,571
Interfund transfers	(2,078)	2,078	-	(316)	316	-
	<u>\$ 33,141</u>	<u>\$ 2,078</u>	<u>\$ 35,219</u>	<u>\$ 33,045</u>	<u>\$ 316</u>	<u>\$ 33,361</u>

CAPITAL PENSION PLAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2008

7. Withdrawals and Transfers Out

Withdrawals and transfers out are comprised of the following:

	2008			2007		
	Defined Contribution Fund	Retirement Annuity Fund	Total	Defined Contribution Fund	Retirement Annuity Fund	Total
	(thousands of dollars)					
Withdrawals	\$ 35,271	\$ -	\$ 35,271	\$ 34,686	\$ -	\$ 34,686
Transfers to other pension plans	824	-	824	1,826	-	1,826
Payments to Variable Benefit Members	3,279	-	3,279	1,111	-	1,111
Payments to RAF Members	-	2,278	2,278	-	2,265	2,265
Provision for payments to members of the fund	-	242	242	-	283	283
	<u>\$ 39,374</u>	<u>\$ 2,520</u>	<u>\$ 41,894</u>	<u>\$ 37,623</u>	<u>\$ 2,548</u>	<u>\$ 40,171</u>

8. Capital Assets

Capital assets at cost less accumulated amortization:

	2008		2007	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
	(thousands of dollars)			
Computer equipment and software	\$ 996	\$ 623	\$ 373	\$ 567
Office furniture	31	27	4	6
Leasehold improvements	16	-	16	-
	<u>\$ 1,043</u>	<u>\$ 650</u>	<u>\$ 393</u>	<u>\$ 573</u>

9. Related Party Transactions

Included in these financial statements are transactions with various Saskatchewan Crown corporations, ministries, agencies, boards and commissions related to the Funds by virtue of common control by the Government of Saskatchewan and non-Crown corporations and enterprises subject to joint control and significant influence by the Government of Saskatchewan (collectively referred to as "related parties").

Routine operating transactions with related parties are settled at prevailing market prices under normal trade terms. These transactions, and amounts outstanding at year end, are as follows:

	2008			2007		
	Defined Contribution Fund	Retirement Annuity Fund	Total	Defined Contribution Fund	Retirement Annuity Fund	Total
	(thousands of dollars)					
Participants' contributions	\$ 10,285	\$ -	\$ 10,285	\$ 9,328	\$ -	\$ 9,328
Investment income	187	117	304	83	214	297
Interest and dividends receivable	53	91	144	25	91	116
Contributions Receivable	152	-	152	174	-	174

Other transactions and amounts due to and from related parties are described separately in these financial statements and the notes thereto.

CAPITAL PENSION PLAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2008

10. Provision for Annuity Benefits

The provision for annuity benefits is the actuarial present value of the future expected annuity benefit obligation to pensioners as annually determined as at December 31 by an independent actuary. The actuarial valuation is a complex process requiring professional judgment on the part of the actuary. Measurement of this amount is uncertain, as estimates must be made of future interest rates and mortality rates. For purposes of this actuarial valuation, a discount rate of 7.30% (2007 – 5.30%) was used. Also, the 1994 mortality tables with mortality improvements projected to the year 2016 have been used. If the discount rate used increases by 1%, the provision for annuity benefits decreases by approximately \$1.45 million or if the discount rate used decreases by 1%, the provision for annuity benefits increases by approximately \$1.66 million. If average mortality age increases by 1.0 years the provision for annuity benefits increases by approximately \$0.63 million.

The annual change in the provision is reflected in the Statement of Changes in Net Assets Available for Benefits. The principal components of the change during the year were as follows:

	2008	2007
	(thousands of dollars)	
Provision, beginning of year	\$ 24,409	\$ 27,058
Increase in provision due to new annuitants during year	1,491	294
Net change in provision due to gain (loss) from mortality	345	(102)
Expected annuity payments with interest	(2,338)	(2,312)
Interest on provision	1,294	1,110
Change in expense assumption	(24)	(457)
Change in discount rate and mortality assumptions	(3,232)	(1,162)
Provision, end of year	\$ 21,945	\$ 24,409

11. Accounts Payable

During the year, and based on a prior judgment ruling in favor of a former participant, management has accrued an additional estimated liability of \$0.15 million for 2008 for a total amount of \$7.01 million (2007 – accrued amount \$0.25 million, total amount of \$6.86 million) payable to other members of the Plan.

12. Investment Performance

The DCF and the RAF investments are managed by professional investment managers whose investment performance is measured against objectives established by the Capital Pension Plan Board of Directors as outlined in the Statement of Investment Policies and Goals. The DCF consists of two investment options available to plan members, the Diversified Fund (DF) and Pre-Retirement Fund (PRF).

The investment objective of the DF is to provide long-term growth within acceptable limits of risk. Based on this objective, the DF is a balanced fund including investments in equities, bonds and debentures, real estate, mortgages and short term instruments.

The investment objective of the PRF is to preserve capital over the short-term. The PRF is invested solely in short-term money market instruments.

The investment managers make day-to-day decisions on whether to buy or sell investments in order to achieve the long-term performance objectives of the Fund. The Board of Directors reviews the investment performance of the funds in terms of the performance of the benchmark portfolios over 4 year rolling periods. The primary long-term investment performance objective for each of the Funds is to outperform a benchmark portfolio.

CAPITAL PENSION PLAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2008

12. Investment Performance (continued)

The following is a summary of the DCF's investment performance before operating expenses:

	2008 Return		Rolling Four Year Return	
	Diversified Fund	Pre- Retirement Fund	Diversified Fund	Pre- Retirement Fund
Actual rate of return	(15.90)%	3.50%	2.20%	3.60%
Benchmark rate of return	(16.00)%	3.30%	1.90%	3.60%

The investment objective of the RAF is to provide sufficient liquidity to ensure payment to annuitants when due and to ensure long-term solvency of the Fund. The Fund pursues a duration matching investment strategy that immunizes the portfolio from interest rate fluctuations. As a result, there is no benchmark return for the RAF.

13. Fair Value

The following methods and assumptions were used to estimate the fair value of each class of financial assets and financial liabilities:

For the following financial instruments the carrying amounts approximate fair value due to their immediate or short-term maturity:

- a) cash,
- b) contributions receivable,
- c) interest and dividends receivable, and
- d) accounts payable

The fair value of investments is disclosed in note 4.

The fair value of the provision for annuity benefits cannot be readily determined, however information about the estimated provision is provided in note 10.

14. Comparative Figures

Certain comparative figures have been restated to conform to the financial statement presentation adopted in the current year.

